

REMARKS

Claims 65-69 are pending.

Applicant respectfully requests reconsideration of the Examiner's rejection of the claims over Lange.

By way of background, Lange discloses methods for trading "demand-based adjustable return contingent claims" (or DBAR contingent claims) that correspond to a distribution of "mutually exclusive and collectively exhaustive" outcomes (or states) of an observable event. [Lange, ¶171]. "The returns to the contingent claims ... adjust during the trading period with changes in the distribution of amounts invested in each of the states. The returns payable for each of the states are finalized after the conclusion of each relevant trading period. In a preferred embodiment, the total amount invested, less a transaction fee to an exchange, is equal to the total amount of the payouts." [Lange, ¶39].

In Lange, "successful investments are financed with the losses from unsuccessful investments, returns on all trades are correlated and traders make investments against each other as well as assuming the risk of chance outcomes. All traders for a group of DBAR contingent claims depending on a given event become counterparties to each other, leading to a mutualization of financial interests." [Lange, ¶50]. See also Lange, ¶84 (It is an object of the present invention is to provide ... statistical diversification of credit risk through the mutualization of multiple derivatives counterparties); and Lange, ¶191 ("An important feature ... is the ability to provide diversification of credit risk among all the traders who invest in a group of DBAR contingent claims. ... In such embodiments, a given trader has all the other traders in the exchange as counterparties, effecting a mutualization of counterparties and counterparty credit risk exposure. Each trader therefore assumes credit

risk to a portfolio of counterparties rather than to a single counterparty”). Significantly, even with the digital options that Lange constructs using the DBAR methods, each trader has all other traders as counterparties. See Lange, ¶704, 705

In contrast to Lange, pending independent claims 65 and 67 describe derivative transactions where the seller represents the only counterparty of the buyer in the transaction. Support for this aspect of the claims may be found, for example, at paragraph [0056] of the present application which provides as follows:

In one embodiment, there are two types of DELTA contracts--put and call. If the offered contract is a put contract, the trader who buys the contract believes that the price of the underlying instrument will decline from the price of the underlying instrument at the time of execution of the put contract or some other specified time, to a price that is less than the strike price at or by the time of expiry of the put contract. In the case of a put DELTA contract, the buyer of the put contract pays the offeror or writer of the put contract a contract premium and, in exchange, the buyer will earn the contract payout amount (e.g. \$100 or other set amount) if the contract expires "in the money." More particularly, if the price of the underlying instrument falls below the strike price between execution or some other specified time, and expiry of the put contract, the contract is deemed to have expired "in the money", and the trader who wrote the contract will pay the trader who accepted the contract the contract payout amount (e.g. \$100 in the current example). (Emphasis added).

In the present application, where the contract expires “in the money,” the trader that wrote the contract (i.e., the seller) pays the contract payout amount to the other party. Thus, in the present application, there are only two counterparties to each transaction, i.e., the party buying the contract and the party selling the contract. This stands in stark contrast to Lange, where “a given trader has all the other traders in the exchange as counterparties.” Lange, ¶191. Accordingly, it is respectfully submitted that the pending independent claims 65 and 67 are distinguishable from Lange, and not anticipated by any of the cited references.

Dependent claims 68 and 69 further recite that “the first financial product and the second financial product correspond to digital options with outcome states that are not mutually exclusive.” This aspect of the claims is supported, for example, by the collection of contracts shown in Fig. 5 of the present application, which include overlapping ranges of “ Δ changes.” The overlap in the ranges of “ Δ changes” corresponds to a set of outcome states that are not mutually exclusive. By contrast, Lange discloses derivatives that correspond to a distribution of “mutually exclusive and collectively exhaustive” outcomes of an observable event. [Lange, ¶171]. For this further reason, it is respectfully submitted that claims 68 and 69 are patentable over Lange.

Reconsideration of the previous rejection is respectfully requested in view of the foregoing amendments and remarks. A notice of allowance is earnestly solicited.

If there are any other fees due in connection with the filing of this response, please charge the fees to our Deposit Account No. 50-0310 (Billing No. 053775-5001). If a fee is required for an extension of time under 37 C.F.R. §1.136 not accounted for above, such an extension is requested and the fee should also be charged to our Deposit Account.

Respectfully submitted,

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